

# PAPER MONEY

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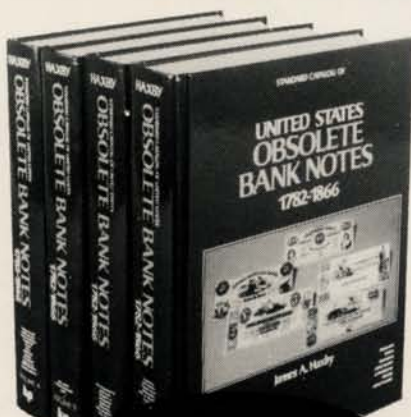
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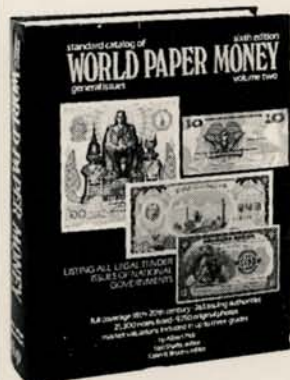
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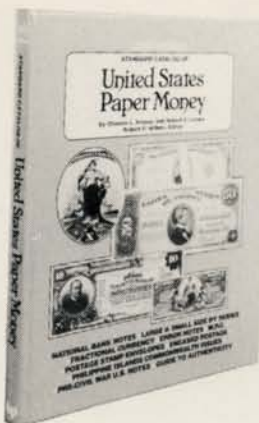
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# NATIONAL cU.S. TOMS NOTE

by RONALD L. HORSTMAN

Numismatist and Financial Historian  
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## INTRODUCTION

Perhaps nothing stimulates research as much as owning something that you know nothing about. After I acquired a proof impression of the \$50 one-year note of 1863 with the words "National Customs Note" bronzed on the face, I decided to learn as much as I could about this proposed issue.

A note such as this is illustrated in Gene Hessler's book, *U.S. Essay, Proof and Specimen Notes*, with a brief statement as to its possible intended use. Hopefully, this article will further enlighten the reader as to the circumstances and intended uses of this issue.

## FINANCING THE WAR

**A**S the year 1863 unfolded, the War Between the States raged on. Both sides were experiencing great difficulty raising funds to pay for military activities. The Federal government had issued several types of securities since 1861, including:

- Long Term Bonds
- Short Term Treasury Notes (some of these paid interest)
- Legal Tender Notes (some of these were convertible into 20-year U.S. bonds)

Despite the revenue generated by these issues, the expenses of the War kept mounting. Legislation to raise additional funds was introduced in the House Ways and Means Committee on January 8. It was felt that it would be impossible to continue the War with gold and silver alone. More notes and bonds would be needed, as well as curtailment of the large issue of state bank notes in circulation, some of doubtful value and many completely worthless. The public debt was then almost \$800 million, and it was estimated that this figure would reach \$2 billion by July 1, 1864.

On March third, after long debate, an act was finally passed which authorized the Secretary of the Treasury to borrow, at his discretion, \$300 million for the remainder of the fiscal year and \$600 million for the next fiscal year starting on July 1.

The act authorized coupon or registered bonds, treasury notes, United States notes, fractional currency and gold certificates. Also provided for was a ten percent per annum tax on the circulation of all banks and corporations. This law was the basis for issuing the one- and two-year interest-bearing legal tender notes as well as compound interest notes.

## GAINING CONTROL

Up to this time all bonds and notes issued by the Federal government had been engraved and printed by the New York bank note companies; the largest of these was American Bank Note Company, followed closely by the National Bank Note Company. These two institutions had been formed by a consolidation of most of the country's bank note companies controlling the talent, experience and capital, which had been producing state bank notes for four decades.

Congress, on July 11, 1862, had granted the U.S. Treasury power to execute this work within the department. Secretary Chase designated Spencer M. Clark, a former clerk in the Bureau of Construction, to investigate the expenses and possible problems connected with assuming the production of securities. This endeavor almost proved the downfall of Clark. The bank note companies first offered him a bribe to report that it would be impractical for the U.S. Treasury Department to engrave and print notes and securities. When he refused, they brought charges of fraud and sexual promiscuity against him, in an attempt to have him discredited and removed from his position. A Congressional investigation headed by James A. Garfield later cleared Clark of all of their allegations.

Initially, the transfer of printing only fractional currency (also termed "revenue currency" in the original documents) was proposed. Clark estimated that the government could prepare this issue for less than one-fourth of the amount that the bank note companies had been charging, and with greater security. After due consideration, Chase approved this plan on October 10, 1862. The function of preparing passports and Post Office drafts was later assumed by this newly-created printing bureau within the Treasury Department.

When the Treasury was requested to prepare bonds for a new loan in April 1863, Clark was forced to admit that he lacked the resources at that time to prepare such a large issue, and suggested to Chase that the plates be prepared in New York and the printing could then be done within the Printing Bureau of the U.S. Treasury. Both the American and National Bank Note Companies sensed that this was erosion of their monopoly, and refused to be a part of this plan unless they were allowed to complete all processes. A relatively new company, the Continental Bank Note Company (also in New York), agreed to Clark's plan and was given the contract to prepare the bond plates. The two major bank note companies, finally realizing that half a loaf was better than none, agreed that they would also prepare a set of plates.

Another argument put forth by Clark in favor of the government producing its own currency was that the bank note companies generated excess profits by printing a very low number of impressions per plate per day. When a large number of issues were needed they insisted on preparing additional plates. Clark felt that if the Treasury Department were to employ a second or even a third shift of printers, he could produce 2,000 impressions per day, compared to the 600 per day previously done by the bank note companies.

### PRODUCTION

The first notes to be produced under this new arrangement were the one- and two-year, five percent interest-bearing notes. Bids were solicited from the major bank note companies and the contract for engraving the plates of the \$50 one-year note was awarded to American Bank Note Company on August 27, 1863. The total cost of face, back and overprint plates was \$6,030.50. The four-subject plate and preparation stock was delivered to the Treasury on December 2, and on December 16 a proof of the note was submitted to Secretary Chase for his approval. The face plate bore the imprint of American Bank Note Company. If subsequent plates were needed they were to be produced within the Treasury Department using the stock furnished by American Bank Note Company. These replacement plates would have the words "Treasury Department" engraved upon them instead of the name of the bank note company. Printing of the one-year notes began on January 28, 1864 at a cost of \$20 per thousand as opposed to \$57.50 per thousand previously paid to the bank note companies. A total of 170,032 \$50 one-year notes, with a value of \$8,501,600, was delivered to the Treasurer by the Treasury's Printing Bureau; only 164,800 were ultimately placed in circulation. Since the original plates could produce up to 30,000 impressions and could be reengraved to provide another 25,000, in all probability a second plate was never needed for this denomination.

### CIRCULATION

The one- and two-year notes of 1863 were intended to be held as an investment but could circulate if necessary because of their legal tender status. Their five percent interest was payable in currency rather than coin as was the case with earlier treasury notes, but because they were not acceptable for duties on imports, their value depreciated as the value of gold increased. They were stamped with the date of issue, the interest and principle payable upon redemption one or two years later.

The April 1864 issue of the *Journal of Banking, Currency and Finance* states that 50 million of the five percent interest-bearing notes were paid out to banks in repayment of a loan that had been made to the government on September 5, 1863. At this time the interest rate was in the range of seven to eight percent, so the banks, rather than retaining these notes, paid them out as currency. Meanwhile, the government was also paying these notes out daily to satisfy their debts. As long as interest rates remained high they freely circulated, but by the summer of 1864 some \$211 million worth had been issued, increasing the currency supply and causing interest rates to drop. When this happened the notes were worth holding for the five percent interest.

### THE SUBJECT

Figure 1 is a uniface proof on eggshell toned paper with four oblong cancellation holes. It is from plate position "B" bearing no date of issue, seal, green overprint or serial numbers. In accordance with Spencer Clark's suggestion, the signatures of the Treasury officials were printed on the note. The words "National Customs Note" were bronzed onto the paper, in large block letters, before the face was printed. It was probably produced in early 1864 while the plates were still in use for printing interest-bearing notes.

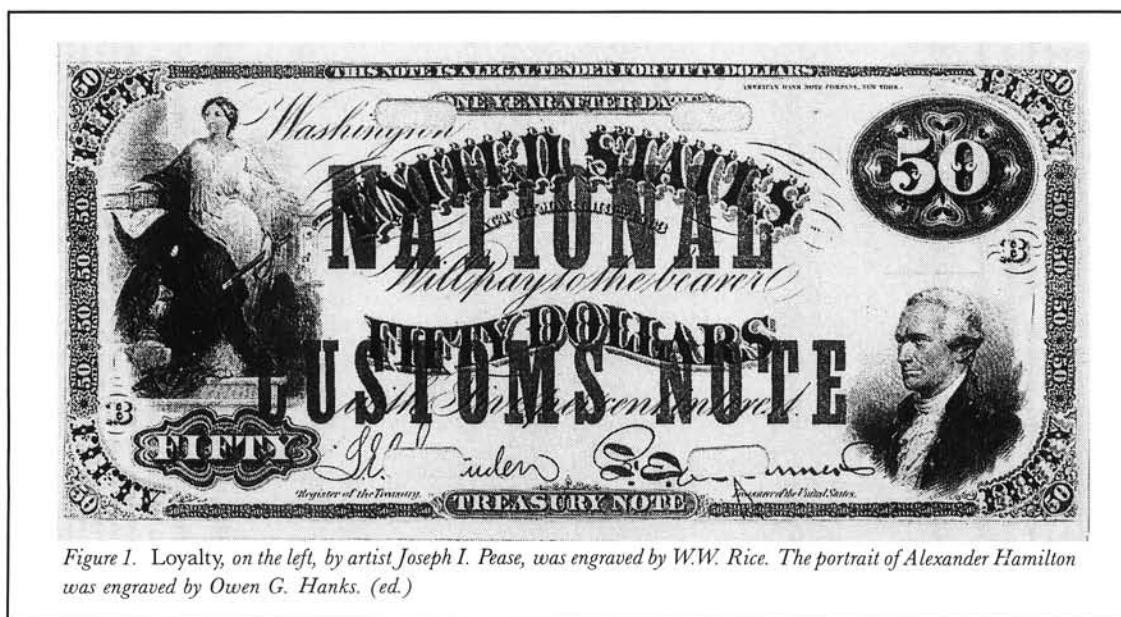


Figure 1. Loyalty, on the left, by artist Joseph I. Pease, was engraved by W.W. Rice. The portrait of Alexander Hamilton was engraved by Owen G. Hanks. (ed.)



## THE PURPOSE

It had always been necessary to establish a relationship between gold and paper money to ensure the latter's acceptance. The first currency issued by the United States government, intended for general circulation, were the demand notes of July and August of 1861. They were receivable as payment of duties on imports. Prior to this issue, only coin, mostly gold, could be received for these payments. The demand notes became known as "Custom House Notes" because their obligation placed them on a par with gold. The Act of February 1862 authorized an issue of legal tender notes; these notes were not receivable as payment for duties on imports, but could be converted into five percent, 20-year bonds with both interest and principal payable in gold. A second series of legal tender notes was authorized by the Act of March 3, 1863, which were not convertible into bonds. The date of July 1, 1863 was designated as the time when the convertibility of the earlier issue into bonds would cease.

This inconvertibility of the legal tender notes, plus a large increase in the circulating medium, led to a rise of \$2.50 in the price of gold in June of 1864; the legal tender notes were then worth only 40 cents on the dollar in gold.

One possible reason for adding the words "National Customs Note" to the \$50 one-year note would have been to indicate that it was receivable for the duties on imports, thereby establishing its relationship to gold.

Section 5 of the Act of March 1863 provided that "certificates representing coin in the Treasury may be issued in payment of interest on the public debt." The act further stated that "certificates for coin or bullion in the Treasury shall be received at par in payment for duties on imports."

The note illustrated would have served both purposes. The designation "National Customs Note" would insure that it would be the same as gold ("receivable at par", therefore not subject to depreciation), and make it acceptable "in payment for duties on imports." It also represented "coin or bullion in the Treasury" and was issued "in payment of interest on the public debt."

A paste-up of a proposed \$50 note is illustrated (Figure 2, courtesy of Gene Hessler) which offers a different solution to this need. Dated April 10, 1864 the obligation reads "The U.S. will pay to bearer Fifty Dollars on demand by presenting this note as Gold Coin for duties on imports."

Neither of these proposals or models were accepted to meet the requirements of the Act of March 3, 1863; instead, the gold certificates of 1865 were issued.

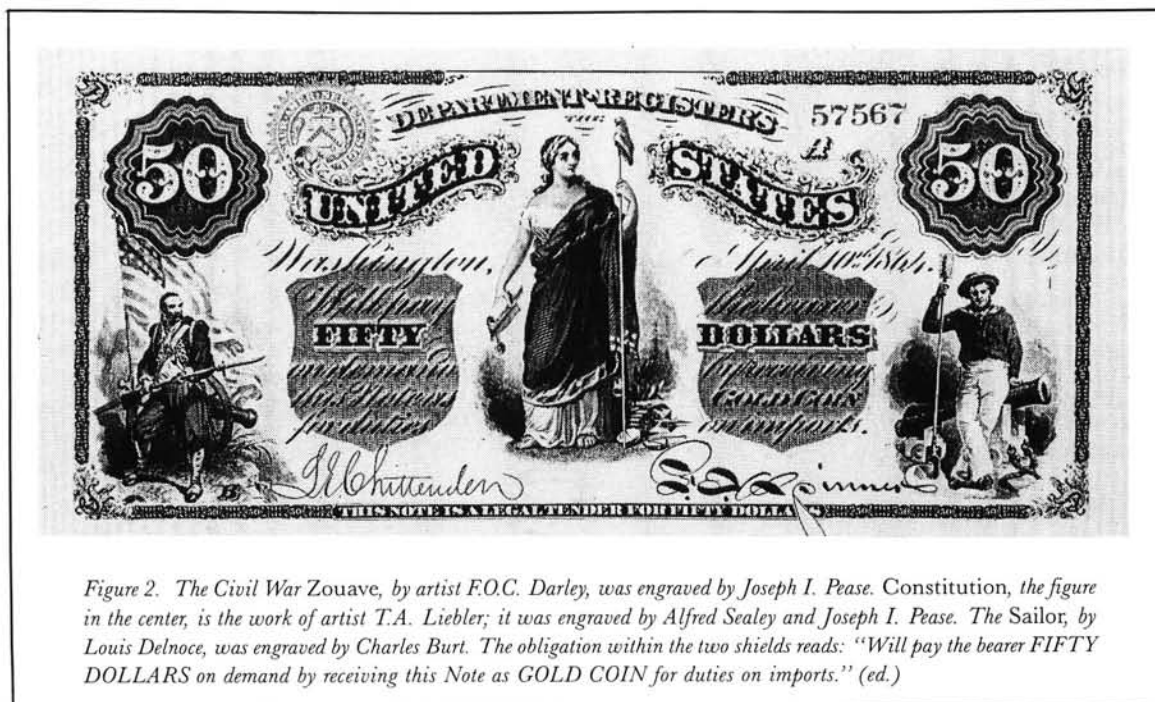


Figure 2. The Civil War Zouave, by artist F.O.C. Darley, was engraved by Joseph I. Pease. Constitution, the figure in the center, is the work of artist T.A. Liebler; it was engraved by Alfred Sealey and Joseph I. Pease. The Sailor, by Louis Delnoce, was engraved by Charles Burt. The obligation within the two shields reads: "Will pay the bearer FIFTY DOLLARS on demand by receiving this Note as GOLD COIN for duties on imports." (ed.)

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# HOW LARGE WERE CURRENCY LOSSES DUE TO FREE BANKING?

by STEVE SCHROEDER

An interesting sidelight to the history of the U.S. free banking period (1837-63) is the subject of the public's cost from state bank notes. Those costs were transaction costs and losses from bank failures and were smaller than is often reported. Transaction costs were modest. Losses due to bank failures were also minor, as the experience of Minnesota and other states shows.

**T**RANSACTION cost was the price paid for doing business in cash.<sup>1</sup> These costs occurred because merchants and bankers discounted state bank notes, and they were dependent on the discount rate and velocity (turnover) of money (here meaning the number of times a note might be discounted per unit time). Discounts were not unique to state bank notes since later federal issues were discounted against gold before specie payment was resumed in 1877.

Banknote reporters from the period show that discounts charged against currency of sound, specie-paying banks were often narrow. Bicknell's *Counterfeit Detector and Bank Note List* for May 1849 shows that most Georgia bank notes were discounted at 1.5 to 2.0 percent at Philadelphia.<sup>2</sup> Sheldon's *North American Bank Note Detector and Commercial Reporter* for 1853 showed that the average discount at Chicago was one percent for specie-paying banks of Missouri, Kentucky, Virginia and all northern states, with discounts averaging 3 percent for states of the deep south.<sup>3</sup>

Transaction costs are mentioned and overstated in oral accounts of this period. Some historians have claimed that the nation's economic growth was retarded by this currency system. The heterogeneity of money was an inconvenience during the free banking period, but the use of personal checks has made money even more heterogeneous now. The transaction costs of 1850 and 1990 are probably similar in effect. Merchants pay two percent for credit card sales, the fee for travellers checks is one percent, the cost of bad checks is passed along to the public, and states impose sales taxes. It is possible that transaction costs are higher now than they were during the period of free banking.

The loss to holders of currency from bank failures has also been grossly overstated. The following recollection of Col. A.P. Connolly of St. Paul is typical of the public's memory:

In 1858 Minnesota was over-run with "Wild Cat" money. Perhaps I had better explain this. It had no value outside the state and was not a sure thing in it. You took money at night, not knowing whether it would be worth anything in the morning. However, it looked well and we all took chances. Any county could issue money by giving some sort of a bond, so we had among others "Glencoe County," "Freeborn County," "Fillmore County," "Chisago County," "La Crosse and La Crescent," and many others. Daily bulletins were issued telling what money was good. In the final round up, the only money redeemed at face value was "La Crosse and La Crescent." I printed a directory with a Mr. Chamberlain of Boston. I sold my book and took "Wild Cat" in payment and after paying the printer had quite a bunch of it on hand, but merchants would not take it at its face value. We had no bank of exchange then . . .

I found what was termed a bank on the west side of the river—a two room affair, up one pair of stairs, and presided over by J.K. Sidle, who afterwards was president of the First National Bank. He was at that time loaning money at three per cent a month. The nearest bank of Exchange was that of Borup and Oakes of St. Paul, and the only way to get there was to walk or pay Allen & Chase one dollar and a half for the round trip. I preferred to walk, and so did, to receive an offer of eighty five cents on the dollar for my "Wild Cat." "No, sir," I said, "I'll go back home first," and walked back. I made three other trips and finally took twenty-five cents on the dollar and was glad to get it, for in a short time, it was worthless.<sup>4</sup>

This statement is full of details about public attitudes and practices. Like all anecdotal evidence, it lacks figures and is somewhat unsatisfying. Nevertheless, this testimony, like similar accounts from this time, shows that holders of Minnesota bank notes were speculators in money ("we all took chances") with access to frequent information. This account also suggests that owners of currency were sometimes unwilling speculators—Colonel Connolly had no choice about the money he took for his books, and he gave no choice when he paid the printer. In some details, his memory is faulty—none of the Minnesota state bank notes became worthless and Colonel Connolly confuses county scrip with state bank notes.

The records of the Minnesota auditor's office provide information from which we can estimate the public's losses due to default. In an earlier article I calculated a public loss of \$56,944, assuming that the notes were received by the public at par.<sup>5</sup> This figure should be regarded as the maximum possible public loss because not all notes were paid out at par.



No doubt the general public received some broken bank notes at par, but many notes were held by brokers (also called private bankers) who received the notes at a discount from banks and resold them at a discount from face but for a profit, either directly to the public or to other brokers in exchange for better currency issued by Eastern banks.

In an article entitled "Explaining the Demand for Free Banks," Arthur Rolnick and Warren Weber have argued that the Minnesota railroad banks (i.e., those banks whose currency was backed by Minnesota State Railroad Bonds or "Minnesota 7s") functioned as mutual funds and their notes circulated as small denomination securities by which the public willingly speculated on the success of Minnesota's railroads. According to this theory, the public was well-informed and was willing to hold the notes of the railroad banks. These banks did not provide for redemption in specie and the notes were not presented for specie because, so long as the railroads were still in business, there was no reason to redeem the notes.

The bonds were issued only in \$1,000 units, but small denomination currency allowed the public to speculate in the bonds as holders of small value mutual fund shares. You simply spent the currency if you wanted out.

If everyone who held the notes owned them at the current value of the railroad bonds, there was nothing to gain by liquidating the banks. Brokers controlled the banks but avoided personal liability because the nominal owners lived out of state. When the railroads failed and the state defaulted on its obligation to back the bonds, the brokers closed the banks because the banks were no longer useful.

There is sound evidence supporting parts of this theory. Bank statements from this period suggest that several Minnesota banks were not ordinary banks. The Exchange Bank of Glencoe had \$99,900 of assets shortly before its close, but of these assets there were only \$8,400 of loans and \$2,100 of specie. There were however \$70,000 of railroad bonds, \$12,100 due from brokers, \$6,900 in bills of solvent banks and \$400 for miscellaneous expenses. The balance sheets of the Bank of Owatonna show even fewer loans:<sup>6</sup>

Table 1

## Bank of Owatonna Balance Sheets

	April 1859	July 1859
<b>Assets:</b>		
State Bonds	\$28,000	\$41,000
Due from banks and brokers	24,100	33,700
Loans and discounts	0	0
Bills of Solvent Banks	1,900	0
Specie	500	0
Other	900	1,300
<b>Total assets</b>	<b>\$55,400</b>	<b>\$76,000</b>
<b>Liabilities:</b>		
Notes Outstanding	\$24,000	\$35,000
Other	3,400	6,000
<b>Total Liabilities</b>	<b>\$27,400</b>	<b>\$41,000</b>
<b>Capital</b>	<b>\$28,000</b>	<b>\$35,000</b>
<b>Total Liabilities and Capital</b>	<b>\$55,400</b>	<b>\$76,000</b>

Rolnick and Weber argue that these banks, the Chisago County Bank, The Bank of Rochester and the Fillmore County Bank were not really banks, but rather intermediaries for the railroads.<sup>7</sup>

In addition to bank statements there is other evidence from this period. Lucy Morris's recently reissued oral history of frontier Minnesota, *Old Rail Fence Corners*, contains numerous references to the Panic of 1857 and to state bank notes which show that the public remembered that state bank notes were risky in general. John J. Knox, who later helped design the national banking system, wrote a frequent column ("Monetary Matters") in a St. Paul newspaper, *The Minnesotian*, in which he described the activities of banks that backed their currency with the Minnesota 7s. In 1891 specie accounts of several wildcat banks<sup>8</sup> were transferred to successors of private bankers R.M.S. Pease and John Knox, suggesting that they had a hidden interest in the banks.

The problem with Rolnick and Weber's argument is whether the public *wanted* to speculate in the principal value



Although chartered as a state bank, the financial statements of the Bank of Owatonna show no loans and no deposits. Was this note actually a way of investing in the Minnesota Railroad bonds?

of the bonds by holding currency. Money of any kind was scarce. The farmer selling ten wagon loads of potatoes, a perishable commodity, to a merchant might have to choose between notes on the Bank of Rochester and a chit good in trade. He became an unwilling holder because he had no choice. Also, unlike mutual fund shareholders, currency owners were not entitled to bond interest.

Not everyone was well-informed, and over \$13,000 in wildcat notes were never presented for redemption even though they were worth as much as 98 cents on the dollar. Colonel Connolly's recollection shows that some of the public thought the notes became worthless when the banks failed. Information was available but the general public was unable to understand the information or use it to reject risky currency.

It seems unlikely that many notes were owned as an investment in railroad bonds even if the banks were de facto mutual funds. Minnesota railroad bank currency was probably held at costs from par down to fifty cents on the dollar, the rate most often mentioned in the press as the market value of Minnesota's bonds during 1858 and early 1859. This would make the minimum public loss from bank closures in Minnesota \$22,300, based on the face value of the notes outstanding when the banks failed and the value received when bonds securing the currency were sold. Since the total face value circulated by Minnesota state banks was \$1,171,242, the rate of loss from default was probably between two and five percent of the total circulation issued. A minor part of this loss accrued to currency owners holding the notes as an investment, as Rolnick and Weber describe, so actual currency loss was even less than the two to five percent range.

Contrary to public perceptions, free banking and state bank notes were an effective, inexpensive system in their day. The total currency loss from state bank failures in Minnesota, a state with a bad free banking experience, was proportionally less than the annual loss to holders of U.S. currency from inflation in most years since 1970. The Indiana state auditor, speaking after a number of bank closures in his state in the 1850s, summed up neatly how the system worked after 1840: "The experiment of free banking in Indiana, disastrous as it had been in some particulars, has demonstrated most conclusively the safety and wisdom of the system."<sup>9</sup>

For further reading: Much technical information regarding the free banking period is contained in *The Free Banking Period: A Reexamination* by Hugh Rockoff.

Acknowledgment: I would like to thank Shawn Hewitt for pointing out several valuable sources.



(Source: Sheldon's North American Bank Note Detector and Commercial Reporter, Chicago, July 1853. Published in *The Free Banking Era: A Reexamination* by Hugh Rockoff.)

## NOTES

1. Transaction costs occurred because brokers and others charged a commission for clearing state bank notes. The conventional wisdom is that these commissions depended on the reliability of the bank and the distance of the bank from the broker's office. The total cost to the general public would depend on the bid-ask spreads, the velocity of money through brokers, and the nature of the economy. If the local economy relied on paper currency rather than specie, and if the currency changed hands frequently, transaction costs could be large. In a rural economy with many barter or do-it-yourself goods, money transactions might occur infrequently, the velocity (i.e., turnover) of money would be small and transaction costs would be slight. Where money was of uncertain value, velocity would be greater because money would be a risky asset and individuals would prefer to hold goods rather than cash. Existing newspaper accounts show that bid-ask spreads were often as large as five cents on the dollar in Minnesota in 1859.
2. Hugh Rockoff, *The Free Banking Era: A Reexamination*. (New York, 1975, pp. 24-25.
3. Rockoff, p. 27.
4. Lucy Leavenworth Wilder Morris, Editor, *Old Rail Fence Corners*. (Reprint of 1914 edition). (St. Paul, 1976), p. 215.
5. Steve Schroeder, "A Brief History of Free Banking in Minnesota," *Paper Money*, Volume 29, No. 2 (March/April 1990), p. 45.
6. Arthur J. Rolnick and Warren E. Weber, "Explaining the Demand for Free Bank Notes," *Journal of Monetary Economics*, Volume 29, No. 2 (January 1988), p. 60.
7. Rolnick and Weber, p. 62.

(Continued on page 186)

# MINNESOTA STATE SCRIP: 1858

by FORREST W. DANIEL

**INTRODUCTION:** This is a supplement to "The Minnesota State Currency Issue of 1858" written by Steve Schroeder (*Paper Money*, Sept./Oct. 1989). Newspapers and other sources have been used. Duplication will be kept to a minimum so please read his article again. For a larger view of the condition of the currency early in 1858 see my "The Minnesota and Maine Banknote Collection" that appeared in *The Numismatist*, Sept. 1989.

## THE SCRIP'S TIME FRAME

**T**HE Panic of 1857 brought a fast end to a period of prosperity and land speculation in the Minnesota Territory. Statehood was imminent when the Legislature met for its first session early in December. Congress had other problems, however, and the admission of Minnesota was delayed for more than five months. In the meantime Minnesota, in an effort to meet its fiscal obligations, floated an issue of scrip to pay current bills until statehood could be achieved, and enough coin to redeem the scrip could be raised from sale of state bonds.

The bill, "An Act for the Relief of the Creditors of the State," to authorize the scrip was introduced by Senator Thomas Cowan. In response to the objection that the state was forbidden by the Constitution to issue bills of credit, Senator Cowan replied "with point and force." He said by definition "bills of credit" were made money by law and were legal tender. The scrip he envisioned was nothing of that sort; it was merely evidence that the state owed the face of the paper that bore twelve percent interest until paid. Nobody was forced to accept the scrip; any creditor could wait and receive his pay in some other form. It was not legal tender, and therefore not a bill of credit. The scrip would be issued only when a creditor demanded immediate payment and would accept the certificates.

The first of the State Relief Currency, as it was sometimes called because of the title of the January 29 dated Act, was delivered from printer Louis Beuchner on February 9, 1858. "Large quantities" of the \$5 and \$10 notes dated February 10 were released on February 11 with more on the 12th. They received ready circulation. The \$1s were released shortly thereafter and reached outlying areas of the state within two weeks. A public meeting in St. Paul was called for the seventeenth to urge the public and local businesses to accept and circulate the notes at par. Business and banking representatives who attended the meeting agreed to accept the scrip;

and hope was expressed that some method could be found to have Eastern creditors receive the notes for indebtedness. Rumors of local discounting were already abroad.

In less than a week a group of local bankers, members of the Board of Brokers, insisted that the Minnesota Treasury Notes, which bore twelve percent interest, would not pay Eastern debts and openly began to discount them. Their own endorsed notes of fraudulent or non-existent banks were discounted at seven percent in New York but the St. Paul bankers attempted to drive the new state notes down to seventy percent at home.

Several businesses advertised to receive the scrip at par; Bostwick, Pease & Co., bankers, said they accepted the scrip and any depreciation from par was brought about by the merchants. Newspapers insisted on the soundness of the state scrip and pleaded with the public to hold the scrip at par; after all it would be redeemed with twelve percent interest as soon as statehood was achieved, and that boon was expected shortly. Editorials to that point continued the entire time the notes circulated.

Bankers Ira Bidwell & Son, St. Paul, sent one of the notes to J. Thompson, New York, to ascertain whether it could be used in that city. The March 15 *Thompson's Reporter* said, "Minnesota Territorial Scrip is to be funded into State stock, when the Territory becomes a State. This, we think, is or will be good; it bears 12 percent. interest."

But by April some local bankers were paying only 80 to 90 percent of face and paying that in endorsed notes of the non-existent Central Bank of Gray, Maine. The *Daily Pioneer and Democrat* newspaper reported on April 18 that St. Paul brokers were refusing to accept state scrip altogether, thereby forcing people with immediate need of funds to discount the scrip even further (70 to 75 cents on the dollar) to street buyers who were actually in the employ of the brokers.

The word Shylock was freely used to describe that class of bankers and they were roundly and soundly condemned. Meanwhile, Minnesota state scrip was being sold at par and was considered a good investment in New York and Washington, according to some reports.

Minnesota achieved statehood on May 11, 1858, and the state officers were quietly sworn in on May 24th.

Early in June J. Jay Knox & Co., one of the leading banks discounting Minnesota scrip, said of the offering of \$250,000 state bonds to be used for retiring the scrip: "It is unfortunate that these bonds cannot be used in Minnesota for banking purposes."

The territorial treasurer and the state treasurer-elect acted in cooperation to prepare the bonds for the \$250,000 loan to defray the current expenses of the state. Clark, Dodge & Co., New York City, forecast that the loan would go at



seven or eight percent; later, their successful bid for the loan was eight percent interest, plus a premium of  $\frac{1}{2}$  of one percent above par. Other bids ran as high as ten percent. The bonds were sold on July 1 and sufficient funds became available immediately.

The state treasurer was able to discontinue issuing scrip about the fourteenth, the date of the last entry in the records found by Steve Schroeder. By that time the treasurer was able to pay current state debts in coin.

On July 30, 1858 State Treasurer George W. Armstrong gave notice that he was prepared to pay all outstanding treasury drafts. Furthermore, interest on the drafts would cease on August 10 on all sums not presented before that time. Six months' interest amounted to six cents on each dollar for the earliest-dated notes. The issue was retired and the books were closed by February 1859, just one year after the first Minnesota state scrip went into circulation. Any scrip presented later was paid from the general treasury.

### BITS AND PIECES

Mr. Schroeder's research of the auditor's records in the Minnesota Archives shows that a total of \$195,048 of the scrip was delivered to the state, that \$183,597.07 was issued and that \$533.34 was outstanding on February 1, 1859. That same outstanding amount was reported by State Auditor Stafford King in an article in *The Numismatist*, April 1957.

The difference of \$11,451 between the amount of scrip printed and the value issued, I believe, was the balance of notes never issued. The last accounting of scrip issued was entered on July 14; after that date bills were paid in cash—there was no need to pay out any more scrip.

The journal entry dated May 28, showing \$159,580.07 of scrip issued as of (or on) that date, brings some confusing questions from Mr. Schroeder, but he settles on a reasonable answer. Clearly it is a catch up number to begin the *new* official state ledger. Surely there was an earlier ledger which has been lost.

The earliest scrip was dated February 10 (illustrations in Schroeder's article) and was issued the next day. A penciled note from the Minnesota Historical Society on a photocopy of a 1957 newspaper item relating to the scrip says the first note was cashed on May 28, 1858. Is it possible the odd seven cents on the May 28 ledger entry was interest paid on the notes redeemed that day and credited to the scrip account? Some redemption records may exist.

If redemption records do exist they may account for any notes bearing fractional values of more than one dollar. My own initial interest was a search for unusual values, but no record of issued notes was found, although the treasurer was required by law to record the amount of drafts received from the auditor and "the numbers, letters, denominations and amounts of same, and to whom issued. . . ." The same information was to be recorded when the notes were redeemed. The drafts were not to be re-circulated when received by the treasurer for any dues to the state, and when so received they were to be cut-canceled with a cross at least one inch each way.

The statute provided that the \$1 drafts were to be designed so fractional parts of a dollar might be inserted in a conven-

ient manner. The denominator "100" of a fraction was provided in the denomination text to permit entry of the number of cents in check fashion; an "X" was marked over the fraction to make the draft an even dollar. Some fractionally-denominated notes were released, but neither of the registers in which all drafts were to be recorded appear to exist. Draft No. 186 for \$1.50 was reported to be in the Minnesota Historical Society collection in 1957, but is not found in current inventories; nor is any other note with a fractional value over one dollar.

At least one clerk was assigned to date and number the individual notes. D.N. Gates received \$3 a day for his work during June, probably the last batch to be prepared for signatures. A voucher and draft in the State Archives show his pay for twenty-nine days (June 1 to June 28, inclusive) was \$87; he must have worked Sundays too.

Records discovered by Mr. Schroeder showing delivery of the drafts from the printer suggest the scrip was printed in sheets of 1-3, 1-3, 5-10 and 5-20. Two types of the \$1 and \$3 are known but a cursory check with collectors has not confirmed a second type of the \$5 scrip.

### OH, THOSE COUNTERFEITERS

In the midst of July, Chief of Police John W. Crosby learned it was possible that Minnesota state scrip was being counterfeited. One, or perhaps two, men had called at Mr. Martin's Daguerrean Gallery and had him make an exact photograph of a state bill. Chief Crosby learned of the incident and began an intensive investigation at his own expense; he made a collar towards the end of the month. Philo Engles and Dr. E. Cooley were arrested at Marine Mills, a small village eighteen miles north of Hudson, Wisconsin. They were lodged in the St. Paul jail.

One of the men was released for lack of evidence; but the other, not named in the newspapers, was charged with having a counterfeit plate of the state scrip in his possession and was brought before City Justice Orlando Simons<sup>1</sup> on July 30. He was discharged. The justice gave two reasons for the dismissal:

1st. The law requires that the scrip shall be signed by the Treasurer of State; but the bill of which the plate in his possession is a counterfeit, is signed by "A. Armstrong, Clerk Treasurer," instead of "G. W. Armstrong, Treasurer," which the court held to be necessary in order to make them genuine, therefore the notes signed A. Armstrong, Clerk, are decided to be valueless.

2d. The note which was counterfeited is not State Scrip, and no value is attached to it, it having none except such as would be possessed by A. Armstrong's individual note, the Treasurer not having signed the note, as directed by law, and the issue of notes signed by the Clerk are wholly unauthorized.

The comment by the *Pioneer and Democrat* is as inexplicable as the judgment: "The fortunate turn in the affairs of the defendant is more the result of his own stupidity than anything else, for his intention was evidently good."

Apparently no judgment was made on the point of possession of a counterfeit plate with intent to defraud, the validity of the printed document itself, the validity of the State

Auditor's signature or the signature of A. Armstrong. The law did not specifically authorize proxy signatures and that appears to be the sole basis for the ruling by Justice Simons. A. (Albert) Armstrong was deputy state treasurer under his brother and could easily have acknowledged the genuineness of his signature or the document in question.<sup>2</sup>

At least two Minnesota state scrip notes signed A. Armstrong, Clerk, are in collections. The signatures are similar to the signature of the deputy treasurer who, by proxy, signed G.W. Armstrong's signature on the draft to pay Louis Beuchner that was illustrated in Mr. Schroeder's article. A. Armstrong also had another signature, the shape of the capital letter A was pointed rather than round, which he used on drafts of the Auditor's Office to pay other state bills, "By A. Armstrong, Clerk," as proxy for Treasurer G.W. Armstrong.

The \$5 and \$1 notes with the A. Armstrong, Clerk, signature are dated July 1 and June 15 and have a W.F. (William Franklin) Dunbar signature as Auditor. Dunbar's signature should appear on notes dated after May 24, although none of the handy illustrations have that early a date. Schroeder's research shows that a large number of prepared drafts were registered on both July 1 and 2. It is quite possible the deputy signed some of them, in contravention of a strict interpretation of the law, in the rush for those notes.

Newspapers said Treasurer Armstrong and Governor Sibley were in New York at the time, negotiating the sale of

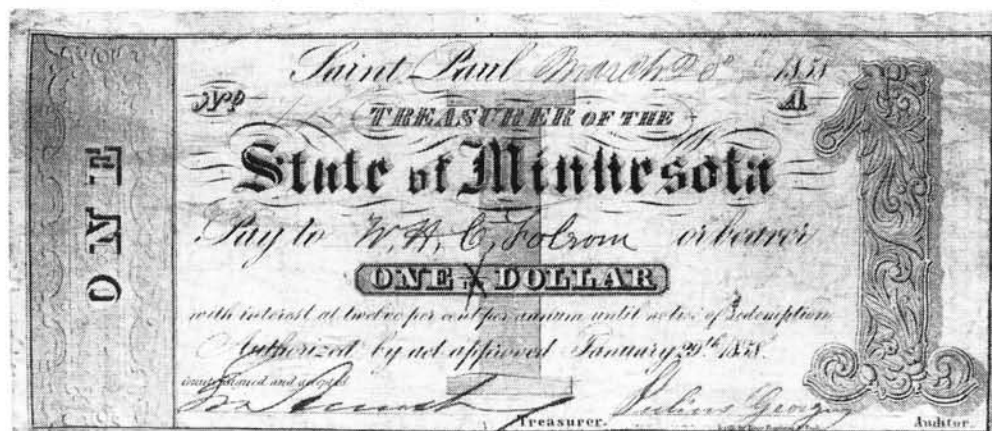
the \$250,000 bond issue to repay the scrip and necessity may have forced the use of the proxy as early as June 15. On July 29 the *Pioneer and Democrat* reported the arrival home of the state treasurer, and a shipment of \$100,000 in gold. Retirement of the Minnesota state scrip began immediately thereafter.

## SCRIP TYPE VARIETIES

R.H. Rockholt, in *Minnesota Obsolete Notes and Scrip*, says that all five denominations are known to have been printed in two different lengths but is unsure of the reason: either different plates or paper shrinkage. Schroeder has accounted for two plates for the \$1, \$3 and \$5 values; but only one plate each for the \$10 and \$20.

Two \$1 drafts dated March 20th, 1858 are from different plates; the length is the same. One is from a much-degraded lithograph stone and has an underscore line for the entry of a payee's name; the other is from a sharp new stone and has the printed name of Thomas Cowan<sup>3</sup> as payee. The shading in the panel on the left and the numeral "1" has been enhanced to a great degree on the latter plate and there are fewer details in the acanthus leaf designs in the numeral one. Neither note has a score for the number.

The \$3 drafts come in the Thomas Cowan and blank payee types. The type with Cowan's name has darker shading in the panel on the left and the numeral.



One dollar scrip with the possible fraction crossed out. The written payee type is made out to W.H.C. Folsom, member of the legislature who later wrote the history *Fifty Years in the Northwest*. The note is not cut-cancelled.



One dollar scrip type with printed payee, Thomas Cowan, and sharper definition in printing and ornamentation. (Photo courtesy Lorne Hillier.)



Five dollar scrip with no entry for payee and bearing the signature of A. Armstrong, Clerk. (Photo courtesy Lorne Hillier.)

A bold black \$5 note with a blank payee score line is a full  $\frac{3}{8}$  inch longer ( $7\frac{1}{16}$  in.) than the \$1. It is dated July 1st and bears the signatures A. Armstrong, Clerk, Treasurer, and W.F. Dunbar, Auditor. There is a score for the number. This draft and most others reported have a cross cut-cancel (specified by law).

Reported notes of \$10 and \$20 all have the signatures of G.W. Armstrong and Julius Georgii (the new "state" treasurer). Some have the payee filled in while others are blank; both styles have been cut-canceled. Notes with other signatures may exist.

The Minnesota state scrip have several characteristics that may or may not be universal. Notes seen, or reported, have red serial numbers, the treasurer's signature in blue, and the date, payee's name and auditor's signature in either brown or black. Position letters appear to advance A through E with the denomination. Printing plate deterioration is very evident on some notes.

State of Minnesota scrip was intended to fill the need to acknowledge current debt owed by the state until cash could be provided for its retirement, and to put the state on a cash basis. The scrip was never intended to provide emergency circulation during the general fiscal crisis, although it certainly circulated for several months. Its disparagement by the Board of Brokers surely brought hardship to individuals who needed ready cash and healthy profits to the speculators who purchased at discount. Its retirement within six months kept speculative profits to a minimum. Despite its contemporary detractors it served its purpose for the State of Minnesota.

## NOTES

1. Orlando Simons had read law; he and his partner came to St. Paul in 1849 as carpenters and later established a law practice. Simons became Justice of the Peace in 1850, then City Justice in 1854. In 1875 he was appointed Associate Judge of the Common Pleas Court of Ramsey County. He was said to act, decide, move and talk promptly; fearless in the discharge of his duty, his decisions were usually accepted as correct. As City Justice he made the "fur fly."
2. Judge Simons was a Republican and Albert Armstrong an ardent Democrat.

3. Thomas Cowan of Traverse des Sioux was a senator from Nicollet and Brown Counties. He was the sponsor of the act which authorized the scrip.

## ACKNOWLEDGMENTS:

I thank Lorne Hillier, Steve Schroeder, Chuck Parrish and Shawn Hewitt for their generous cooperation in providing descriptions of notes to delineate types and characteristics of Minnesota scrip. Without their help much more would still be speculation.

## SOURCES

Newspapers: St. Paul Daily Minnesotian; Weekly Minnesotian; Pioneer and Democrat; Advertiser; Dispatch; Minneapolis Gazette; Saint Anthony and Minneapolis Minnesota Republican; Stillwater Messenger.

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*General Laws of the State of Minnesota; First Session of the State Legislature, Dec. 3, 1857, to Aug. 12, 1858.* St. Paul: Earle S. Goodrich, State Printer, 1858. ■

## Currency Losses

(continued from page 182)

8. A "wildcat bank" is defined as a bank that issued currency with a face value greater than the value of the security behind the notes. Minnesota railroad banks secured their notes with Minnesota 7s, worth perhaps 50 cents on the dollar, at the rate of 95 cents of currency for 50 cents (\$1.00 par value) worth of bonds.
9. Rockoff, p. 22.

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*Tales of the Secret Service*

# The Versatile Counterfeiter, John Peter McCartney

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 by BRENT HUGHES
 

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John S. Dye, the publisher of books called *Counterfeit Detectors*, acquired a vast amount of information on the lives of prominent counterfeiters. His book on the subject, written in 1879, must have been based on Secret Service records combined with newspaper accounts because the details were so precise. It was probably a mutually beneficial association—the Secret Service gave Dye the details of the latest counterfeit notes in circulation and he quickly passed the data on to bankers and merchants in his newsletters and books.

From Dye's writings we get a number of impressions of life in those days, especially the attitudes and habits of counterfeiters, police officers, Secret Service agents, courts and prisons. For fifty years or more, the Secret Service worked to seize counterfeiting plates and made all sorts of deals to accomplish their aim. Police officers were so underpaid that they went after the reward money posted by the government. Failing this, the officers and prison guards were prone to accept bribes to help prisoners escape. So there existed a curious merry-go-round of capture, payoff, escape, re-capture, more payoff ad infinitum.

The counterfeiters themselves became contemptuous of all law enforcement people, considering them little more than petty criminals always on the take. It became a game and a battle of wits, both of which revolved around paper money. In this situation there was one man who seemed to be Mr. Versatility himself—John Peter McCartney.

**D**URING his counterfeiting career he “raised” small notes to larger denominations, became a “shover” who passed counterfeit notes for other makers, learned to engrave, made plates for himself and others, and printed thousands of notes, which he sold retail and wholesale or placed in circulation himself. To cover his activities he successfully passed himself off as a physician, dentist, salesman, miner, cattleman, lecturer, Secret Service agent and consultant to the Treasury Department.

A complete account of McCartney's life would require volumes, so we must be content with only a brief survey. One

fact has been neglected in our history books—counterfeiting in the years of the “broken bank note,” those decades prior to the Civil War, was a huge industry with hundreds and perhaps thousands of participants. When our government issued the first demand notes at the start of the Civil War, counterfeiters continued to operate and the Secret Service was created to fight the menace. It took more decades before counterfeiting was reduced significantly and therein lies our story.

John Peter McCartney was born about 1824 and grew up on a farm. He received little education but was very intelligent and naturally gifted. At Mattoon, Illinois he somehow met the William Johnston family, an event which would shape his future. William Johnston's grandfather and father had been counterfeiters and McCartney had learned from both. When Johnston met McCartney he was startled to find that while the young man could barely read and write, he easily learned the basics of engraving on steel. Thus McCartney would go on to be recognized by his associates as an expert in his chosen “profession.”



Pete McCartney

One day the young man happened to look at a stack of bank notes and wondered why anyone would print one dollar bills when it was just as easy to print fives and tens. He then took scissors and raised a \$1 bill to a \$5 bill by glueing corners from \$5 notes over the \$1 figures on the dollar bill. When he had no trouble passing the fake \$5 bill at a store, he decided that might be an easy way to make a living.

To learn the finer points of engraving he went to two famous cutters, Ben Boyd and Nat Kenzie. At about this time he also got involved with counterfeit coins. There was a counterfeit “factory” in Walnut Hills near Cincinnati. It was here that McCartney first met the widow of an old German counterfeiter named Ackerman and her two handsome daughters, Martha Ann and Almiranda. Martha was all of thirteen, very bright and skillful, and already possessed of two years experience as a printer of counterfeit notes. Ten years later she would become Mrs. John Peter McCartney.

In 1852 McCartney was living in Indianapolis and ostensibly dealing in horses. He was known as Joe Woods and was gaining a reputation in the coney business. This went on for ten years in a quiet way and it was not until 1862, during the Civil War, that he managed to get caught passing counterfeit money at a military post in West Virginia. The Army put him in irons and shipped him off to the Old Capitol Prison in Washington, D.C. He escaped by jumping off the speeding train, survived and went limping back to Illinois.

His cover in Springfield was as a dentist in the employ of Dr. C. Granville French. But counterfeiting was his game so back he went to see the widow Ackerman. There he saw again the lovely Martha Ann, now a mature young woman, and married her. It was a happy time for all because the widow Ackerman was now Mrs. John B. Trout, wife of the famous counterfeiter. It was marital bliss all around.



MRS. MARTHA A. MCCARTNEY.

In 1864 John and Martha moved to Nauvoo, Illinois where McCartney engraved his famous plates of the \$10 U.S. Legal Tender note of March 10, 1862 that was to give the government all kinds of problems. The Secret Service chased these plates for four years before they located them but still had to make a deal to get possession.

In 1866 McCartney was arrested in St. Louis where he spent \$8,000 to buy his escape. To keep ahead of the authorities he became Professor Joseph Woods and went on the lecture circuit all over the West. His subject was "Counterfeit Money and How to Detect it." One writer said that during this time McCartney was "quite a rosebud of moral and virtuous promise." He obviously did not know his man because the facts were that while John Peter was lecturing, his pals Miles Ogle and James Lyons were up at Fort Wayne, Indiana, turning out beautiful \$5 and \$20 U.S. notes of the March 10, 1863 issue. The plates had been made by McCartney before he left town. It was a great setup. If a person bought a ticket to the lecture and received change, it was in counterfeit money produced by the lecturer. He moved quietly from town to town leaving his "products" in his wake.

Inevitably he was arrested again and Martha got him out for only \$2,000. It was quite simple—Martha bought a key, the guards went to dinner and the two McCartneys left town. No one seemed upset when they found the cell door, corridor door and the outside door standing wide open.

McCartney was now 42 years old and at his peak as a counterfeiter. When notes were issued by the government with hard-to-copy ornate scrollwork engraved by a machine, McCartney designed and built a machine to do the same job. It seemed that everything the Treasury tried was promptly duplicated by John Peter. He moved frequently all over Illinois, Indiana, Ohio, Kentucky and many other states before settling down at Osgood, Indiana at the home of a crafty counterfeiter named Levi.

It was a most unusual house because Levi had designed it to house counterfeiters on the run. The original log house had an escape tunnel with a trapdoor concealed in the floor and an attic escape route reached by a folding ladder. There was a back door leading to the outhouse, of course, but the woods behind it were dangerous to walk in. Barbed wire, trip wires, watch dogs, concealed pits and other features made them impassable. From the front you made your presence known and only after being identified did you proceed farther. Once inside the main house a guest would be assigned a room off a hall which ran the full length of the structure. Each room had a back door and a ladder to the attic which also had a central hall. Thus, guests had a dozen ways to escape at any moment or they could hole up in the tunnels until lawmen left. Old Man Levi's reputation was such that no intelligent lawman ever tried to get in.

Levi's son Lyle was McCartney's shover. Daughter Missouri married Jeff. Rittenhouse, a counterfeiter, and eventually took over the unusual house when her father died. The Secret Service knew all about the group and gradually added men to the case. McCartney's days of freedom were ending. In 1867 police at Mattoon, Illinois arrested McCartney on the street and found a baggage claim check in his wallet. They went to the railroad baggage room and found a big box containing a printing press, supplies and \$23,400 in counterfeit \$50 Compound-Interest Treasury Notes. A few days later their prisoner escaped. On November 21, 1870 McCartney was arrested again and he escaped again when \$2,000 changed hands. Time after time this act was repeated.

Then Secret Service Chief H.C. Whitley got personally involved and interviewed McCartney after one arrest. The two men hit it off immediately and came to trust each other. John Peter may have sincerely wanted to reform and Whitley may have been the first lawman he felt he could trust to help him. The two went to a cornfield near Decatur, Illinois where McCartney dug up some cans containing \$60,000 in counterfeit notes and a set of plates. Then they went to St. Louis where they crawled under an old house to retrieve several sets of coinage dies. Their travel continued to Cincinnati where McCartney gave up \$5,000 and some unfinished plates. Then the two returned to Springfield where Whitley wired Washington and McCartney went back to his cell. Shortly thereafter, he was released on bail. As he thought

about it he became convinced that even Whitley could not help him so he fled to Canada.

In 1873 he executed plates for an improved imitation of the \$20 U.S. Treasury Note. It was a masterpiece that brought in buyers by the dozens. Then on December 1, 1874 an informer told the Secret Service where McCartney was hiding. A gun battle ensued in which John Peter took several bullets. He went to a prison hospital to recover, then was sent back to the jail in St. Louis. At 3 a.m. on February 5, 1875 an alarm went off and jailers found that six prisoners had escaped, including McCartney. Their exit had been through a big hole in the brick wall of the jail building. McCartney said later with wry humor that the hole had cost him \$3,000.

By prearrangement, the six escapees had agreed to make their way to Dennison, Texas and meet there on February 20. They all made it and took a train to Sherman where plans were made to set up a counterfeiting operation. McCartney went to Dallas and the others scattered. A little later they were all arrested but McCartney escaped by bribing a sheriff. Again he was arrested, this time in Austin, and again he escaped. Money talked everywhere, it seemed, but this time John Peter got out of Texas—it was just too expensive.



JOHN PETER MCCARTNEY.

In 1876 he was arrested in Illinois. He jumped bail and went to Richmond, Indiana. In November he was caught again, this time with \$2,713 on his person. Eight hundred and sixty dollars were in counterfeit \$50 U.S. greenbacks, issue of 1869, and thirty-three \$20 U.S. Treasury Notes. The rest were \$5 bills of The Traders National Bank of Chicago. McCartney identified himself as Charles Lang, one of his many aliases.

Unfortunately for McCartney the Secret Service had assigned an agent named Estes G. Rathbone to the case. Rathbone was a cut above the average agent and he began to put all the pieces together. He figured out that "Charles Lang" was actually McCartney who had been a real problem for much too long. It was obvious to Rathbone that it did no good to arrest McCartney if he was then placed in the typical

jail. So once he had his man identified and located, he delayed the arrest until a team of Secret Service guards could arrive. Warned about McCartney's success at bribery, the team of government guards could not be bought. Rathbone was hard as nails and McCartney found that escape was impossible. The sun was about to set on his counterfeiting career.

On November 28, 1876 the prisoner was brought before Judge Gresham of the U.S. District Court at Indianapolis. The judge had studied the records and told McCartney that he saw no hope of reformation. He then sentenced him to serve fifteen years at hard labor. McCartney was fifty-two years old at the time and must have realized that he had just received a life sentence.

Martha McCartney pled guilty to possession of a counterfeit plate but the Secret Service intervened and got her placed on probation. The lady was smart and possessed of a long memory. Obviously she had a lot of information that would prove to be of great value to the government. It turned out well for her and records show that she became a valuable weapon in the battle against counterfeiters.

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## Heroes and Humbug:

# STATE SCRIP OF SOUTH CAROLINA



by DAVID RAY ARNOLD, JR.

*In . . . South Carolina . . . people have long memories and are happily given to remembrance of the heroes of the past.*

—Stewart H. Holbrook

Heroes and humbug; it seems an unlikely association. Other words volunteer themselves: hogwash and hokum. But *hogwash* was formerly only swill, matter for swine. *Hokum* appeared neither in Noah Webster's first American Dictionary nor in the revision of 1858. *Humbug*, however, was included, with the meaning "a pretense, or as a verb, to deceive." Webster's comment is amusing, "a low word." That word, not now designated slang, is by modern definition a hoax, a fraud.

*Humbug*, then, is clearly appropriate to our title, for it means today what it has always meant—deception. As for the "heroes," there could be no better term. This apparently strained effort to name an article is not all foolishness. Our principal subject is a South Carolina state note from a curious printing which appeared a few years after the Civil War.

**D**ECISIVE victory was not enough for vindictive Northern elements. The fallen South was to be further beaten and humiliated. Neither vain sacrifice nor abject surrender could earn for the vanquished some measure of compassion and dignity in defeat. Any hope for that died with Lincoln.

Carpetbagger. One spat it out. It remains to his day a familiar political epithet: an unwelcome opportunist, a self-serving intruder.

Carpetbaggers hit South Carolina especially hard. The policies of Thaddeus Stevens, the Radical leader on the floor of the House, were in the words of Woodward,<sup>1</sup> "simply a set of hates strung together in a definite pattern." The years of Reconstruction were wreaking destruction. In that unhappy climate the legislature spawned a bill outwardly appearing to implement the building of the Blue Ridge Railroad. There was no such railroad; Woodward called it "a sort of chartered ghost owned by leading Radicals and carpet-baggers."

The bill authorized a loan of \$1,800,000 in state scrip to the management of the railroad. The scrip was described as a "kind of bond," to circulate as money. Secretly, the state treasurer gave the railroad company \$5,000,000, not \$1,800,000. To the surprise of no-one, not a single mile of track was ever laid.<sup>2</sup>

The emission, under the title *Revenue Bond Scrip*, was in denominations of \$1, \$2, \$5, \$10, \$20 and \$50. All have been somewhat disdained by those who perhaps judged themselves as too sophisticated for such plentiful material, or who simply considered the issue to be outside their collecting interests. But our hobby has matured, and the once ugly duckling has at last found admirers.

We will choose the \$10 specimen for particular scrutiny. It and the other denominations are not bank notes. Indeed, they are not "notes" at all—at least in the sense of promissory negotiable instruments. Reference to the illustration will reveal no stated promise. Instead, the document was accorded a limited *receivability*, as is declared on the face of the example. In traditional theory that endowment should have given currency to the issue: that is, made it current. Public acceptability would have been another matter entirely.

*Scrip* is one of those words having different meanings in different times, and to this day its significance varies with context.

A recent action by Mr. Robert Cochran, energetic secretary of the Society of Paper Money Collectors, gave me a good laugh, something always welcome these days. In a letter published in *Bank Note Reporter* (March 1990) Mr. Cochran drew attention to the frequent use of "scrip" in place of "scrip," where it is the latter word that is intended. In that very issue the erroneous "script" appears at least once, in an advertisement. The tone of the letter was calm, but if I read correctly between the lines, Bob was seething. Among the petty annoyances of my business life was to hear parcel post shipping instructions given as "partial post." Only "Calvary-cavalry" could have been a greater aggravation.

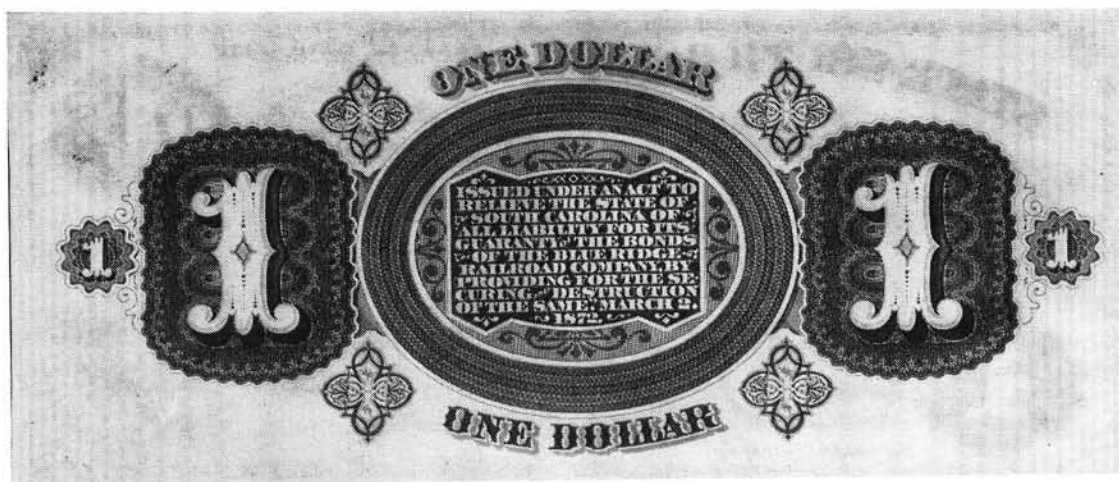
Bob Cochran was right, of course, although in archaic usage *script* was a synonym for scrip. This is not a question



Earlier (1861) use of the Jasper-Newton subject on a bank note strikingly similar in appearance to the Revenue Bond Scrip.



Ten dollar denomination of South Carolina's Revenue Bond Scrip of 1872. The central vignette is a near-copy of John Blake White's painting *Sergeants Jasper and Newton Rescuing American Prisoners From the British*.



The avowed premise of the South Carolina scrip invokes the name of the phantom railroad. Shown here is the \$1 back, but the statement appears in similar form on the higher denominations as well.

of literary nicety. It is a matter of terminology, an element essential to the intelligent discussion of any subject whether as an advanced scholar or as a happy hobbyist. Since the state issue that is our topic bears the word *scrip* on its face, it is well that we view the term with clarity.

*Scrip* is from the Latin *scribo*, to write. This is apparent in such words as subscription, scriptory, and scriptural. Both old and new dictionaries bring together such variant definitions as the following examples:

1. A small writing, a scrap of paper.
2. A piece of paper containing writing, a schedule.
3. A small certificate indicating an ownership interest, or in lieu of a cash dividend.
4. U.S. fractional currency; any paper currency in fractions of a dollar.
5. A temporary substitute for money.
6. A printed or written document purporting to have value, but something less than money.

*Scrip*, in many of its forms, is certainly a part of syn-graphic interest. The widely used scrip of the Great Depression has attracted some collectors. Long after the depression, during the coin shortage in 1964, the Jewel Tea supermarket chain had scrip printed for making change. Limitations were stated, including an expiration date. Nevertheless, the Treasury Department quashed the attempt as a violation of monetary laws. That was a surprising ruling in view of the purpose of the effort.

Reference to scrip as a substitute for money has always carried the suggestion of contempt. Noah Webster, in his earliest edition, quoted Locke:

Bills of exchange can not pay our debts abroad, till scrips of paper can be made current coin.

Some are surprised to learn that there are seven<sup>3</sup> biblical references to scrip; all but one are New Testament (NT) passages. It may be further unexpected that not one bestows upon scrip any monetary nature. The term is merely being used under still another, archaic definition: a small bag, or satchel, especially one puckered or drawn together.<sup>4</sup>

A reader might in thought connect scrip with money of some kind in such NT passages as "Provide neither gold nor silver, nor brass in your purses, nor scrip for your journey." The Phillips translation avoids confusion:

Don't take any gold or silver or even coppers to put in your purse; nor a knapsack for the journey (Mt. 10.9-10).

The clearest disassociation of biblical scrip from collector's scrip is in the OT account of David and Goliath:

He . . . chose him five smooth stones out of the brook, and put them in a shepherd's bag which he had, even in a scrip (ISa 17:40).

We will leave this phase of our study with mention of two other words. As we know, *script* is handwriting or its imitation in printing type; it also denotes a manuscript for a play or the like. *Skrip* is the clever trade name used by a large manufacturer of ink.

Beautiful engraving characterizes the Revenue Bond Scrip series. The green backs are redolent of some federal designs; indeed, the workmanship compares favorably. Popularly known as "The Rescue," the central vignette on the \$10 face is after John Blake White's painting of a Revolutionary War incident. The formal title of the work, as it appears in the Architect of the Capitol catalog of art in the U.S. Capitol<sup>5</sup> is *Sergeants Jasper and Newton Rescuing American Prisoners from the British*. The painting, now in the Senate wing, was the gift of Dr. Octavius A. White made in 1899.<sup>6</sup> Large engravings had also been made for sale to the public. An early faulty description in some syn-graphic literature as "Indian being captured" should now confuse no-one.

Engravings of the painting identical to those on the Revenue Bond Scrip appeared on the \$10 note of the Bank of the State of South Carolina, ca. 1861, as well as on the less familiar state issues of 1866 and 1873. The only example of the latter that I have ever seen was by the courtesy of Mr. Hugh Shull of Leesville, South Carolina. Neither the 1866 nor the 1873 issues were Revenue Bond Scrip. The 1866 declared receivability and the 1873 was captioned as a certificate of indebtedness. According to Sheheen, all were redeemed. Shull's 1873 specimen bore a treasurer's cancellation endorsement. The certificates have the name of the creditor engraved in the text, followed by "or bearer." An even more unusual feature is the statement on the back that the debt was incurred for printing expenses.

Sergeants Jasper and Newton were authentic Revolutionary War figures who have long since been elevated to folk hero status. As one biographical dictionary puts it, "Jasper's career has been made the subject of so much laudatory and fantastic writing that it is difficult to arrive at an accurate estimation of his character." There is no doubt, however, of the admirable qualities of that soldier. Moultrie, among others, recognized him as brave and resourceful, a "very great partizan [sic]."

William Jasper (ca. 1750-Oct. 9, 1779) was born of obscure parents somewhere near Georgetown, South Carolina. In 1775 he enlisted in a company being formed by Francis Marion, the famous "swamp fox." He was quickly made a sergeant, and in 1776 he was assigned to Fort Sullivan in Charleston. Fort Sullivan was later renamed Fort Moultrie.

During the naval attack by the British on June 28, 1776, the flag was shot from its staff. The brave Jasper, under fire, remounted the flag on the wall of the fort. For that act alone his fame would have endured, but someone has said that he performed an outstanding feat every month for the rest of his life. He was offered a commission, and in typical character he declined. Always conscious of his humble origin, he explained that his lack of education would embarrass him. He subsequently accepted a roving commission as a scout.

An assault was made upon Savannah on October 9, 1779. The officer carrying the regimental banner was felled by a shot, and Jasper took the flag. As he started forward he was mortally wounded. He died at sea as he was being taken back to Charleston.<sup>7</sup> Jasper's attempt to again raise the colors had cost him his life.





Sergeants Jasper and Newton Rescuing American Prisoners from the British.  
*John Blake White. Painted ca. 1810-1815, 24½ × 29½ inches. Except for the vividly contrasting dress of the woman, the painting is in somber reddish-brown hues. (Library of Congress photograph)*

"Jasper Battery" at Fort Moultrie is believed to be at the site of the flag's rescue there. A monument in memory of the hero is in Savannah.

Much about Jasper may be embellishment, but more about Newton is certainly myth. "Wherever there's a Newton, there's a Jasper." So said Lou Ann Everett whimsically in her "Myth on the Map" (*American Heritage*, December, 1958). Her allusion was to the frequent proximity on maps of the names Jasper and Newton. A Jasper County, for example, might be next to Newton County, or Jasper would perhaps be the seat of Newton County.

Sergeant Newton has not been further identified with so much as a first name. General Horry, puzzlingly, wrote: "Jasper was a [sic] Honest Man: but Newton was a Thief & a Villain." At the place of the rescue a marker includes the name of Newton.<sup>8</sup>

The story immortalized on the painting and its engraved counterpart on the \$10 scrip appears to have been first set down by Mason Locke Weems ("Parson" Weems) in his

1809 book on General Marion. As Weems tells it, early in 1779 Sergeants Jasper and Newton freed a woman and child, among other American prisoners, from the British. Most references to the event treat it only briefly. Weems, however, elaborates, numbering the captors at ten, and giving their ranks. He declares that the two sergeants captured six of the enemy and "disposed" of the others, all without injury to themselves.

The parson, who was also a book agent and biographer, went so far as to relate conversations between Jasper and Newton. Perhaps they were inventions of Weems, as his Washington's cherry tree story has been thought to be. But what to us are florid prose and dialogue were in the style of the time, used in earnestness. As quoted by Everett:

The two friends then embraced with great cordiality, while each read in the other's countenance that immortal fire which beams from the eyes of the brave, when resolved to die or conquer in some glorious cause.

Weems wrote further:

Directed by our looks to Jasper and Newton, where they stood like two youthful Samsons, in the full flowing of their locks, she [the rescued woman] ran and fell on her knees before them . . . crying out vehemently—"dear angels! dear angels! God bless you! God Almighty bless you forever!"

In White's artistry an enduring tableau preserves the intensity of the moment, as we see the solicitous attention to the grateful woman. Jasper looks to be exactly what he was: a hero whose daily job was being done. There are some variances in detail between the painting and the engraving. Outer boundary features are not precisely the same. As shown in White's version, the boy clinging to his father seems smaller and younger than in the engraving, and positioning of the figures was not slavishly followed in the vignette. But generally, the engraving is a fine reproduction, especially in character delineation.

A mystifying difference is seen at the left of the two portrayals. Most accounts of the rescue state succinctly that Jasper overcame a guard. In the engraving a soldier in the foreground is crumpled forward, certainly overcome, and disabled at least. The painting, in glaring contrast, depicts what appears to be a corpse, face up. This seems a rather deliberate alteration by the engraver, but for what reason I have been unable to determine.

Quite another version of the rescue appears on a \$10 note of the Marine Bank of Georgia (Savannah, 1850s). It is not the scene as painted by White, although that undoubtedly provided the inspiration. Less detail in foliage and other background is visible in this rendering, and there are not as many human subjects. Further, the characterizations are not identical with those in White. Jasper is in an entirely different stance. Although the vignette is still attractive, it suffers from a rigidity that White was able to avoid.

The story obviously has some foundation despite the doubters. Every soldier knows a hero when he sees one. There are real-life John Waynes. They were born heroes; they stand apart, unmistakable. This is not to forget those whose deeds are unchronicled, the knowledge of their heroism having perished with them.

Heroes celebrated in legendry are heroes of the heart, and heroes of the heart cannot be denied; they are immortal. As for "The Rescue," we may as well believe that it happened. No one has proved that it didn't.

Jasper in another setting is a part of an early (ca. 1830-1840) bank note design made for the Bank of Charleston.<sup>9</sup> The \$50 denomination, apparently known only as a proof, may be seen in Haxby, who described the vignette as the "attack on fort on Sullivan's Island by British fleet June 28, 1776." Muscalus used both the titles "Jasper Replacing the Flag," and "Attack on Fort Sullivan." This is not the action as painted by White. White's stunning picture of the battle is from within the fort, looking to the sea. The sweeping view of men massed behind the walls is most impressive. Undeterred by the frightful bombardment, jaunty Jasper waves from the staff where he has remounted the flag. This scene by White was not used on paper money.

A concise outline of Jasper portrayals on paper money is appended, collated from the standard references. Muscalus's indication that "The Rescue" was used on \$5 notes of the Bank of the State of South Carolina is erroneous.

John Blake White was multi-talented. He was a lawyer and dramatist, but had shown early promise as an artist. At the age of 19 he studied in England under Benjamin West, with the privilege of access to the studios of Lawrence,<sup>10</sup> Trumbull and others. Best known as a painter of historical subjects, he was accorded high honors for his art. White was also a miniaturist and portraitist. Among the best of his portraits is that of his friend, John C. Calhoun.

Four of White's historical pictures, of which three were used on paper money, are in the Capitol at Washington. In addition to *Sergeants Jasper and Newton Rescuing American Prisoners from the British*, they are: *Mrs. Motte Directing Generals Marion and Lee to Burn Her Mansion to Dislodge the British*, and *General Marion Inviting a British Officer to Share His Meal*. We have already seen that the artist's *Battle of Fort Moultrie* was not engraved for bank note use. The *Dictionary of American Biography* cites the \$5 and \$10 notes of 1861 for their engravings of the Marion and Jasper subjects. That is unusual, for such works more often make no mention of numismatic considerations.

A fine work by White, *The Unfurling of the United States Flag in the City of Mexico* [sic], had been presented to Andrew Jackson. Upon his death it reverted to the state of South Carolina, only to be destroyed by Sherman's army. A bust of White is in the City Hall at Charleston.

We cannot forego mention of another hero of the American Revolution, whose portrait appears at the lower left of all notes with the "Rescue" vignette. Daniel Morgan (1736-1802) was a cousin of Daniel Boone. He stands out most vividly in my mind because of his experience in the French and Indian War, when he was only 19. Morgan took 500 lashes across his bare back for striking a British officer who had hit him with the flat of his sword. *Five hundred!* Men have died under such punishment. Even the officer expressed remorse, upon which Morgan without reservation forgave him.

General Morgan was given a medal by Congress for his role at the battle of Cowpens, South Carolina in January of 1781. He became a member of the Fifth U.S. Congress, 1797-98.

## Conclusion

That bald deception known as Revenue Bond Scrip<sup>11</sup> has at last redeemed itself, in a way, for it has given us a memento of history: one honoring heroes less remote from its time than from ours.

No-one now lives who saw South Carolina Revenue Bond Scrip at its inception, or who witnessed surrounding events. That generation is forever separated from us by Time's deepening chasm. But over the dim gulf a surviving remembrance hovered, and descended into our hands. It proclaims its own identity: "a small writing, a scrap of paper. . .," reminding us silently of other days and other times, of heroes and humbug.

## Jasper on Obsolete Notes

- |  |  |
|--|--|
| <p><b>\$10</b>    <b>State of South Carolina,</b><br/>Columbia 1866, 1873<br/>"Sergeants Jasper and Newton Rescuing<br/>American Prisoners from the British," after the<br/>painting by John Blake White.</p> <p><b>\$10</b>    <b>State of South Carolina,</b><br/>Columbia 1872<br/>(Revenue Bond Scrip)<br/>"Sergeants Jasper and Newton . . ." as preceding.</p> <p><b>\$10</b>    <b>Bank of the State of South Carolina,</b><br/>Charleston ca. 1861<br/>(SC-45, G60a)<br/>"Sergeants Jasper and Newton . . ." as preceding.</p> | <p><b>\$10</b>    <b>Marine Bank of Georgia,</b><br/>Savannah 1850s<br/>(GA-295, G8)<br/>Not the same as the painting by White, although<br/>the rescue of captives is depicted.</p> <p><b>\$50</b>    <b>Bank of Charleston,</b><br/>1830s, 1840s,<br/>(SC-10, G22)<br/>Jasper replacing the flag during British naval<br/>action against the fort on Sullivan's Island, June<br/>28, 1776.</p> |
|--|--|



*Scrip has no boundaries of form or value.*

Whether or not scrip looks like money has no more to do with its redemption value than with collector's value. In any form it is only "a small writing, a scrap of paper." Even U.S. fractional currency falls within the definition of scrip, and some disparaged with that name a good solution to the immediate problem. The fractional issues served their purpose and proved to be completely sound, but so did the above paper penny, simply set by the author in printer's type (top left).



## Notes

1. W.E. Woodward, in *Meet General Grant* (New York: Fawcett, 1957). Woodward was a biographer of Washington.
2. The Blue Ridge Railroad was not the only scandal involving paper money. It is best described by Woodward:  
Before the war the state of South Carolina owned the Bank of South Carolina, which issued banknotes. With the fall of the Confederacy the bank failed, leaving \$1,250,000 of its banknote money outstanding. The notes of the bank should be redeemed by all means, declared the Northern adventurers in control of things. The credit and honor of the state are behind these sacred obligations, and shall we allow the good name of South Carolina be tarnished? Before this staunch sense of civic honor had boiled over into a thousand Nos and Nevers the Radical politicians had quietly bought up, for a few cents on the dollar, all the banknotes they could find. There were only a half million dollars of them in existence, but they got the legislature to appropriate \$1,250,000 for their redemption. The banknotes were taken in at par. The act provided that, as they were received, they should be destroyed. Instead of being destroyed, however, they were handed back at once, and next day would appear for redemption again. This fiscal operation was a great success all around.
3. Isa 17.40; Mt 10.10; Mk 6.8; Lk 9.3, 10.4, 22.35-36.
4. Etymologically associated with "grip," a small suitcase. One modern paraphrase gives "duffel bag," a bit of overreach, it would appear.
5. Prepared by the Architect of the Capitol under the direction of the Joint Committee on the Library.
6. Everett wrote (in "The Myth on the Map," *American Heritage*, December, 1958) that her father told her in 1955 of Jasper and Newton, and it was little more than the "vague suggestion that it all stemmed, somehow, from a painting hanging somewhere in South Carolina." In fact, the painting had been in the U.S. Capitol for over five decades. Prior to 1899, of course, it was indeed "hanging somewhere in South Carolina."
7. Polish Count Pulaski, who aided the American Revolutionary cause, also died during the transport. Pulaski is portrayed on a \$10 note of the Marine Bank of Georgia, the note on which a variant version of "The Rescue" appears (see table). Examples are not readily available, but one is shown in Haxby.

8. A possible second source for the Jasper-Newton story suggested by Everett is an article in the *Virginia Gazette* of May 15, 1779. In part, it read:  
The brave Sergeant Jasper, with another sergeant, crossed Savannah River, took, and brought to Major General Lincoln's headquarters, two captains, named Scott and Young, of the British troops.
9. Later to become a National Banking Association.
10. Sir Thomas Lawrence, painter of *The Calmady Children* (see *PAPER MONEY*, November/December, 1988).
11. Fiscal humbug is not limited to nineteenth-century carpetbaggers; we have our share of it. The Comptroller of the Currency periodically publishes a list of companies with such impressive names as *Great American Bank and Trust*, but which are not banks. They are unchartered, unauthorized to do business in the U.S. and are not insured by the FDIC. The public is warned against patronizing these masqueraders.

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## BLANK Happenings

From The Banker's Magazine ■ Submitted by Bob Cochran

## SIGN CHECKS WITH THUMB

The commissioner of Indian affairs has directed officials throughout Oklahoma that hereafter every Indian who can not write his name shall be required to sign all his checks and official papers and indorse checks and warrants covering Indian money by making an impression of the ball of his right thumb, such imprint to be witnessed by an employe of the Indian agency or by one of the leading men of the tribe. His thumb mark signature must be witnessed by the postmaster of the place where he resides.

## A REMARKABLE RECORD

H.A. Duncan, president of the Marine National Bank of Bath, Maine, has signed every bill issued by that bank either as cashier or president. As the time extends about forty-four years, his record is probably unequaled in New England. To make the record unbroken, the officials of the bank have on several occasions during the illness or absence of Mr. Duncan, held the bills until he was able to sign them. The best time made by him in attaching his signature to bills was 400 signatures in forty-five minutes.

(This article appeared in the September, 1910 issue of *The Bankers Magazine*. According to the *Standard Catalog of National Bank Notes* by John Hickman and Dean Oakes, the Marine National Bank was chartered on February 3, 1865 and placed in voluntary liquidation on April 27, 1910. During that time Duncan apparently hand-signed 162,456 notes.)

# FROM THE GRINNELL COLLECTION

By RONALD L. HORSTMAN

Numismatist and Financial Historian

**A**LTHOUGH most collectors of United States currency have seen the catalog, how many know about the collection or its disposal? With the recent sale of the James A. Stack, Sr. collection, many notes with the Grinnell pedigree have found new owners after 45 years of seclusion.

Albert A. Grinnell was born in Shelby, New York on June 12, 1865, just two months after the conclusion of the Civil War. Working with his father in their general store, Albert started at the age of 12 selecting coins from the day's receipts.

Entering the coal and lumber business, Mr. Grinnell was quite successful, later constructing several large grain elevators and warehouses. In 1919 he moved to Detroit, and became involved in the Grinnell Brothers Music House. He served as president of the company until retirement, after which his interests turned to paper money.

With the assistance of Paul Draper, his personal secretary, Mr. Grinnell assembled the largest and most complete collection of United States currency, which he proudly displayed at national numismatic conventions. This collection included every series and almost every denomination of currency ever issued by the United States, including a proof, \$10,000 Federal Reserve Note.



*Albert A. Grinnell*

All through the Great Depression he continued to add to his collection, stating that it was one of the few investments that did not depreciate.

Before Albert A. Grinnell passed along this fantastic collection to others, he first sold some of his duplicate material through B. Max Mehl in June of 1943. Unhappy with the results of this sale, he offered Barney Bluestone the opportunity to dispose of the remaining 5898 lots. This sale was divided into seven parts commencing on November 25,

1944, and ending on November 30, 1946. The total sales of this collection were \$317,030.45. At the time a pack of cigarettes cost 14 cents; a new car, when available, could be purchased for \$1,000.

All notes sold in these seven sales were advertised as part of the "original" collection, not to be confused with the earlier sale of duplicates. Each specimen was enclosed in a heavy transparent envelope, many of which were accompanied by Mr. Grinnell's personal notations. Very few, if any, of these original envelopes remain today.

A later sale to dispose of the returned material was held March 15, 1947.

On April 18, 1951, Mr. Grinnell passed away. The collecting efforts of this gentleman saved many notes from redemption and provided collectors of today with the opportunity to own a note "From the Grinnell Collection."

I would like to thank William Donlon, Paul Draper, Frank Limpert, Len Glazer and Martin T. Gengerke, Jr. for their assistance in preparing this article.



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**WANTED FOR MY PERSONAL COLLECTION:** Large & small-size national currency from Atlantic City, NJ. Don't ship, write first, describe what you have for sale. Frank J. Iacovone, P.O. Box 266, Bronx, NY 10465-0266. (156)

**WANTED: INVERTED BACK ERROR NOTES!!** Private collector needs any note in any condition. Please help. Send note, photo, or description with your price. Lawrence C. Feuer, 22 Beechwood Blvd., Rye Brook, NY 10573. (155)

**1907 CLEARING HOUSE** scrip and checks wanted. Need examples from most states as well as Georgia, Iowa, South Carolina, Texas and Florida. Send notes and information for my immediate cash offer. I have a few duplicates for trade or sale. Tom Sheehan, P.O. Box 14, Seattle, WA 98111. (150)

**WANTED, INFORMATION ON:** \$1, 1865 1st NB of YPSILANTI. I have found three auction listings of this note. Grinell 2016 Gd & 4245 Fair; & Kosoff 517 Gd (10/26/71). Are these listings the same note or is there more than one known? David Davis, P.O. Box 205, Ypsilanti, MI 48197. (152)

**SERIAL NUMBER ONE NOTES AND SHEETS WANTED** of United States Type and Nationals. Also Michigan First Charters, Michigan #1 and Kalamazoo, Michigan Nationals. Paying collector prices. Jack H. Fisher, 3123 Bronson Blvd., Kalamazoo, MI 49008. (152)

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**WILL TRADE CONFEDERATE TRANSFERER/IMPRINT NOTES!** Need Lafton Crout, Schwartz, Cammann. Must be VF/Almost Unc. Specify needs. Frank Freeman, 3205 Glen Ave., Baltimore, MD 21215. (153)

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**OHIO NATIONALS WANTED.** Send list of any you have. Also want Lowell, Tyler, Ryan, Jordan, O'Neill. Lowell Yoder, 419-865-5115, P.O.B. 444, Holland, OH 43528. (163)

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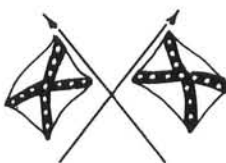
**1862 \$2 LEGAL TENDER INFORMATION NEEDED.** If your note is from the "D" plate position, or lacking the face plate number, please send photocopy of face for research documentation. Doug Murray, P.O. Box 2, Portage, MI 49081. (152)

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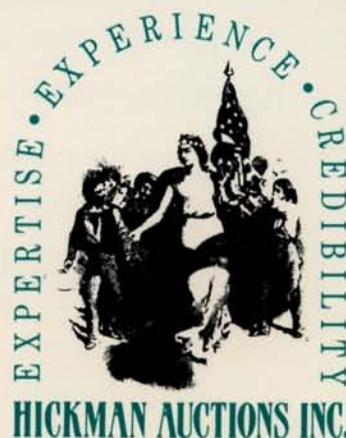
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---

Our Upper Midwest Currency Auction held October 13th in Bloomington Minnesota was an exciting and rewarding event. 177 successful bidders participated in this outstanding sale which realized \$124,584.00. The top national, a five dollar third charter note in F/VG issued by the First National Bank of Good Thunder, Minnesota, opened at \$400.00 and advanced to \$1800.00 in \$10.00 increments for a total of 140 raises in the bidding. A ten dollar note in fine condition from Kiester, Minnesota realized \$1370.00, with most of the other better notes bringing prices in the hundreds of dollars. With our March 3rd Philip Krakover sale in San Diego and our sealed bid auction of June 19th the total realization for 1990 exceeds \$500,000.00. Nationals are truly alive and well.

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All who received any of these catalogs will also receive our June 1991 Memphis catalog via bulk mail. We make no charge for our catalogs and we are happy to send them to all who are interested. If your copy was received late, or should you wish to receive your catalog via first class mail and the prices realized after the sale, please remit \$3.00, stamps acceptable.



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